

Kentucky Agricultural Finance Corporation

Minutes of the January KAFC Meeting

The meeting of the Kentucky Agricultural Finance Corporation was held on January 7, 2005 at 1:15 PM CST at the Executive Inn, Owensboro, Kentucky. Catherine H. Ball, designee for Commissioner Farmer called the meeting to order. Ms. Ball then asked Lucinda Pease, the Secretary to call the roll.

Ms. Ball chaired the meeting until Commissioner Farmer assumed the duties of the chair at 2:05 PM

Members Present - Billy Hurd; Jane Jones; Doug Lawson; Billy Joe Miles; Charles Miller; Sandy Ross; Annette Crawford-Walters; Wayne Hunt; Catherine Ball (Commissioner Farmer, designee)
Arriving at the conclusion of the Kentucky Agricultural Development Board Meeting - Commissioner Farmer; Wayne Hunt

Members Absent - Harold Benson; Robbie Rudolph; Bob Proffitt

Others Present

Staff - Tim D. Hughes; Lucinda T. Pease; David Bratcher

Guests-Sharon Burton (Farmers Pride)

Notification of Media

Catherine Ball verified the notification of the press regarding the Kentucky Agricultural Finance Corporation meeting and stated that Ms. Burton would be attending.

Approval of Minutes

The motion to accept the minutes of the December meeting was made by Billy Joe Miles and seconded by Annette Crawford-Walters. Motion passes without dissent.

Executive Directors Report

Keith Rogers, Executive Director, was not in attendance for a report. Ms. Ball gave an update on the Phase II legal case currently being appealed to the North Carolina Supreme Court.

New Business

Funding

Current KAFC available fund balance: \$3,035,931.56 as of 12/31/04

Linked Deposit Agriculture Loans Outstanding: \$6,101,920.73 as of 12/31/04

Phase II Impact

The board had brief discussion on the Phase II payment ruling and how it seemed to be affecting producers.

Chairman Ball asked Annette Crawford-Walters to serve as chair so she could participate in the KADB meeting.

Loan Application Review

Staff Recommendation- KAFC participate in a loan with Alltech for \$1,000,000. The terms of this loan will be a 20 year amortization with a fixed interest rate of 3%. The purpose of the loan will be to purchase property in Springfield, KY to be converted into a new production facility for Alltech, Inc. Security for the loan will be a letter of credit from Bank of America.

Motion was made by Billy Joe Miles and seconded by Doug Lawson to make the loan to Alltech with a provision giving KAFC the right to sell the loan through the secondary market.

Other Business

Commissioner Farmer arrived and resumed the role as Chair.

Discussion on Investment Fund Programs

The Board had a discussion on Investment Fund Programs and provided direction on how the GOAP staff should address these projects.

Young Farmer Financing Program

Staff Recommendation- Offer a young farmer program as a part of the Tobacco Grower Investment Fund (TGIF), therefore, requiring any applicants to meet the qualifications as outlined in TGIF guidelines. In addition to these terms, the applicant must also meet the definition of a Beginning Farmer as defined by the Farm Service Agency (FSA). KAFC must be able to secure a FSA guarantee on the loan and sell the guaranteed portion in the

secondary market. The applicable interest rate would be set at the rate available to KAFC in the secondary market. KAFC will promote the program but the completed loan application must be prepared by a participating lender or FSA office. For the purpose of this program, a tobacco farmer will be defined as a person who can show evidence of tobacco income since 1998 by the following: Phase II income, tobacco income as an FFA or 4-H project, or Fair and Equitable Tobacco Reform Act of 2004 (FETRA) eligibility. Maximum participation by KAFC is limited to \$250,000 per applicant. The recommendation was made to eliminate the language that states “can show evidence of tobacco income since 1998 by the following: Phase II income, tobacco income as an FFA or 4-H project, or Fair and Equitable Tobacco Reform Act of 2004 (FETRA) eligibility.” and insert “can show involvement in tobacco production.” Motion was made by Billy Joe Miles and seconded by Wayne Hunt to adopt the Young Farmer Financing Program with the recommended change.

The next meeting of the KAFC Board is scheduled for February 5, 2005 at 10:00 AM EST in Frankfort, KY.

Adjournment

Commissioner Farmer adjourned the meeting at 3:15 PM CST.